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TAGS: [EPET](#) [ENRG](#) [PREL](#) [IZ](#) [UP](#) [KU](#)
SUBJECT: KUWAIT ENERGY CEO ON IRAQI AND KUWAITI HYDROCARBON
ISSUES

REF: KUWAIT 338

Classified By: Economic Counselor Oliver B. John for reasons 1.4 (b & d
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11. (C) Summary: On June 25, Kuwait Energy CEO Sara Akbar briefed Ambassador on the difficulties her company faced in its efforts to develop the Siba field in Iraq. She implied that Iraqi interest in renegotiating its maritime boundary with Kuwait stemmed in part from the Iraqi discovery of an offshore oil field that crossed into Kuwaiti territorial waters. She noted problems with the company's partner in Ukraine, UKRNAFTA. Drawing from her lengthy experience in Kuwait's oil industry, she categorically stated that the Kuwait Oil Company "needed help" to develop the country's oil resources and bemoaned the fact that the production from the 11 Trillion Cubic Feet (Tcf) offshore Dora gas field would need to be shared with Saudi Arabia under the terms of the two countries' neutral zone agreement. End Summary.

Iraqi-Kuwaiti disputes hampering Kuwait Energy

12. (C) Akbar provided a brief history of Kuwait Energy's operations in Iraq. She noted that she had led the first team of firefighters to the Southern Iraqi Rumaila oil shortly after the coalition forces secured it (around March 27). She commented proudly that Boots and Coots had a contract to put out oil fires but had been afraid to cross the border, citing security concerns until the Kuwait Wild Well Killers had gone first. Subsequent to Iraq's 2003 liberation, she said, the two countries had set up a joint commission to improve oil sector cooperation. At that time, the GoI offered Kuwait the opportunity to develop the Siba gas field (on the Iran-Iraq border) and to ship the gas to Kuwait. The project, she noted, would help further Iraqi-Kuwaiti economic ties and reconciliation. A Kuwait Petroleum Corporation subsidiary, the Kuwait Foreign Petroleum Exploration Company (KUFPEC) evaluated the project, but later decided not to participate. Akbar noted that the Iraqis had provided KUFPEC only about half of the promised information on the field. Kuwait Energy stepped in and signed an agreement with the Iraqi Ministry of Oil to study the field in 2007. In December 2008, the GoI announced its second oil bid round, including the Siba field in the round. Akbar said that her company had protested, noting the GoI-GoK agreement that a Kuwaiti company could develop the field. The GoI response was negative and Kuwait Energy set about bidding on the field.

13. (C) Akbar stated that Kuwait Energy was one of 12 qualifying companies, but that Iraqi Oil Minister Shahrastani removed three companies, including Kuwait Energy, from the list of qualified bidders. When she asked why, his response was that Kuwait Energy was "too small" as it only produced

10,000 barrels per day. Akbar's reply was that Kuwait Energy's net profit share was only 10,000 barrels per day but it managed 50,000 barrels per day of production. In addition, the companies that made the qualifying round were largely state owned oil companies with little experience in developing fields. She said that she understood the politics involved, but that this would be a great project to demonstrate to foreign oil companies that they could do business in Iraq and that it would help to improve bilateral ties. Ambassador agreed that this project would help strengthen bilateral ties, but suggested other overarching political issues might be complicating a commercial deal.

Offshore Oil and Gas and Border Disputes

¶4. (C) Akbar briefly alluded to the maritime border dispute between Iraq and Kuwait. She said that the Iraqi position was shaped in part by their discovery of an offshore oil field that extended into Kuwaiti waters. The Kuwaitis had not yet discovered the field, and the Iraqis were keeping the field, which they had named Khaleej (or gulf) "top secret." She had learned about it in meetings with her Iraqi counterparts.

¶5. (C) In response to Ambassador's query, Akbar briefly discussed the offshore Dora field, shared between Kuwait, Saudi Arabia, and Iran. According to Akbar, the field's original estimated reserves had been in the range of about 4 trillion cubic feet (Tcf) of gas. More recent exploration determined that the field is considerably larger, at around 10 Tcf, and lies largely in Kuwaiti waters. Unfortunately,

KUWAIT 00000646 002 OF 002

Akbar said, the terms of the agreement between Kuwait and Saudi Arabia on neutral zone production means that the production will need to be shared equally. On a side note, she mentioned that the Iranians had offered Kuwait Energy the opportunity to develop their portion of the field, but that the Kuwaiti MFA had prohibited the company from accepting the offer.

Kuwait needs help to develop oil reserves

¶6. (C) Asked about the potential for U.S. oil company (or IOC "majors") involvement in Kuwait's upstream, Akbar stated that the Kuwait Oil Company would need assistance to develop Kuwait's oil production capacity. The problem, she explained was that Kuwait's premier field, the Burgan Field, was too simple. "God couldn't have given Kuwait a more perfect field." The field produces light crude (around API 32) and lies at a shallow 4,000 feet under ground. Reservoir porosity is around 28% and the permeability of the rock is in the range of 1-10 darcies, whereas most permeability measurements are in milidarcies. There is a large water aquifer under the oil field which helps push up the oil. Finally, the surface of the field is above sea level, so the Kuwaitis can use gravity feeds to their export terminal. There is no challenge for Kuwait Oil Company and the company developed no real expertise. Fortunately, she suggested, the new Deputy PM for Economic Development, Shaykh Ahmed al-Fahd Al-Sabah, had "a lot of expertise" in the oil sector given his previous role as oil minister, which - combined with his political support among tribal groups traditionally opposed to allowing international players into Kuwaiti upstream -- augured well for movement on this front.

About Kuwait Energy

¶7. (SBU) Kuwait Energy is an independent oil and gas exploration and production company established in 2005. It is a privately held company, with about 30% of the shareholders coming from the United States. In first quarter 2009, the company's working production interests was

approximately 10,000 barrels per day of oil (40% from its operations in Egypt). The company's reported reserves are 43 million barrels of oil equivalent. Sara Akbar is a chemical engineer with over 25 years of upstream experience, having worked in the Kuwait Oil Company and the Kuwait Foreign Petroleum Production Company. She gained international recognition as the only female firefighter during the efforts to put out Kuwait's oil fires in 1991, following the Iraqi invasion.

18. (C) According to Akbar, Kuwait Energy is having problems with UKRNAFTA, which is its partner in two oil concessions. She added that Kuwait Energy had no problems in the three fields it operated under 100% concessions. The problem she explained had to do with Ihor Kolomoyskiy, the oligarch who controlled UKRNAFTA. Despite the fact that the GoU owned 50% (plus one share) of the company, he was able to use his large minority share. When she met with Ukraine's Prime Minister to discuss issues facing Kuwait energy, she received the answer "sorry nothing we can do." She stated that Kolomoyskiy successfully played the Prime Minister off against the President and speculated that he was trying to bankrupt the company (Ukraine's largest oil company) in order to buy its remaining shares cheap.

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